

HSBC Taiwan Manufacturing PMI™

Operating conditions improve marginally in February

Summary

The HSBC Taiwan *Purchasing Managers' Index*™ (PMI™), a composite indicator designed to provide a single-figure snap-shot of the health of the manufacturing sector, posted 50.2 in February, down from 51.5 in January. That signalled a fractional improvement in operating conditions for the third successive month.

PMI readings above 50.0 signal an improvement in business conditions, while readings below 50.0 signal deterioration.

Total output increased for the third month in a row in February. That said, the rate of expansion was slight. Total new orders also increased for the third successive month. The rate of growth eased from January and was marginal, with around 21% of panellists reporting new order growth. New export orders increased slightly, with a number of panellists attributing growth to strengthened client demand in China, Europe and the US.

The level of work-in-hand at Taiwanese manufacturing plants fell for the ninth consecutive month in February. However, the rate of backlog depletion was slight, and the weakest in eight months. Meanwhile, employment levels were relatively unchanged, increasing at a fractional rate. Nearly 95% of panellists recorded no change to staff numbers in the latest survey period.

Input prices increased for the fifth month in a row, with the rate of inflation easing from January to a modest pace. Meanwhile, firms continued to absorb rising production costs, lowering average tariffs for the eleventh consecutive month. The rate of discounting quickened slightly from January and was modest, and anecdotal evidence suggested that average tariffs were reduced in an effort to attract more business.

Input buying at manufacturing firms increased for the third month in a row in February, but at a slight rate. Higher input buying was generally associated with new order growth.

Average lead times improved for the first time in three months in February. Although the strongest since last June, the rate of improvement was marginal overall, with approximately 5% of survey respondents noting shorter delivery times.

Finally, stocks of purchases fell for the eighth successive month in February. Inventories of finished goods also decreased at a modest pace.

Comment

Commenting on the Taiwan Manufacturing PMI™ survey, Donna Kwok, Economist at HSBC in Asia said:

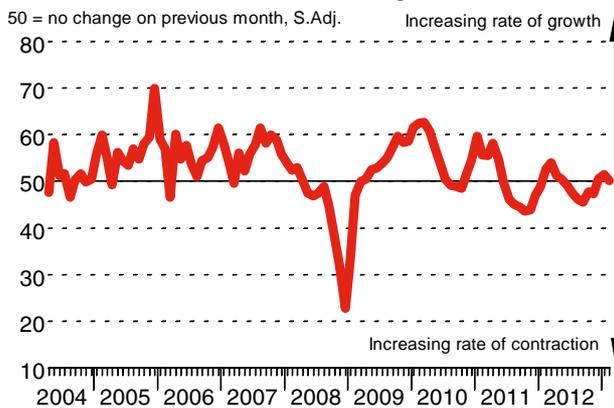
"Despite having eight working days less than January, February still saw Taiwan's manufacturing sector expand for the third successive month. Stronger demand at home and abroad (China, Europe and the US especially) has allowed new orders and output to expand for a full quarter, keeping job market conditions steady. We expect this positive dynamic to continue in the coming months alongside China's gradual pace of recovery, provided sequestration negotiations on Capitol Hill do not derail US domestic demand."

Key points

- Output expands at fractional pace
- Total new orders and new export orders rise
- Input costs increase, but output charges are lowered

Historical Overview

HSBC Taiwan Manufacturing PMI



Sources: Markit, HSBC.

For further information, please contact:

HSBC

Hongbin Qu, Chief Economist, China & Co-Head
of Asian Economic Research
Telephone +852-2822-2025
Email hongbinqu@hsbc.com.hk

Donna Kwok, Greater China Economist
Telephone +852-2996-6621
Email donnahjkwok@hsbc.com.hk

Corporate Communications:

Jamie Chen, Communications Taiwan
Telephone +886-2-6631-7913
E-mail jamietychen@hsbc.com.tw

Amber Chung, Communications Taiwan
Telephone +886-2-6631-7915
E-mail ambertcchung@hsbc.com.tw

Markit

Annabel Fiddes, Economist
Telephone +44-149-146-1010
Email annabel.fiddes@markit.com

Caroline Lumley, Corporate Communications
Telephone +44 20 7260 2047
Mobile +44 781 5812162
Email caroline.lumley@markit.com

Notes to Editors:

The HSBC Taiwan Report on Manufacturing is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 300 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Taiwanese GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index™ (PMI™)* is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

HSBC:

HSBC is one of the world's largest banking and financial services organisations. With around 6,900 offices in both established and faster-growing markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 60 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 84 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 221,000 shareholders in 134 countries and territories.

About Markit:

Markit is a leading, global financial information services company with over 2,800 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com

About PMIs:

Purchasing Managers' Index™ (PMI™) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics

The intellectual property rights to the HSBC Taiwan Manufacturing PMI™ provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, HSBC use the above marks under license. Markit and the Markit logo are registered trade marks of Markit Group Limited.